

Message Text

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51

ACTION XMB-07

INFO OCT-01 EUR-25 ADP-00 COME-00 EB-11 TRSE-00 AEC-11

SCI-06 SCEM-02 INT-08 L-03 OMB-01 CIAE-00 INR-10

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R 221450Z AUG 73

FM AMEMBASSY BELGRADE

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INFO AMCONSUL ZAGREB

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FOR EXIM AND COMMERCE (MAJOR PROJECTS)

E.O. 11652: N/A

TAGS: ENRG EFIN YO

SUBJ: KRSKO NUCLEAR POWER PROJECT

1. SUMMARY: KRSKO INVESTORS HAVE VIRTUALLY COMPLETED LATEST ROUND OF TALKS WITH THREE BIDDERS AND ARE EXPECTED TO MAKE RECOMMENDATION TO SLOVENIAN AND CROATIAN AUTHORITIES IN EARLY SEPTEMBER. ACCORDING TO WESTINGHOUSE'S LOCAL AGENT, INVESTORS AND YUGOSLAV AUTHORITIES CONSIDERING LETTER TO EXIM BANK INDICATING WESTINGHOUSE WILL WIN CONTRACT IF LOCAL COST FINANCING PACKAGE CAN BE IMPROVED SUBSTANTIALLY. END SUMMARY.

2. WESTINGHOUSE AMERICAN SALES REPRESENTATIVE PAVINICH AND LOCAL AGENT KOSTIC (DEPUTY DIRECTOR OF "PROGRES") HAVE BRIEFED US ON LATEST ROUND OF KRSKO NEGOTIATIONS BETWEEN YUGOSLAV INVESTORS AND THREE REMAINING BIDDERS - WESTINGHOUSE, GE/ANSALDO AND KRAFTWERKE UNION OF WEST GERMANY.

3. ACCORDING TO THEIR ACCOUNT, WESTINGHOUSE COMPLIED SUBSTANTIALLY WITH FOUR REQUESTS ADVANCED BY INVESTORS - MODERATE REDUCTION IN PRICE, GUARANTEES ON DELIVERY DATES AND POWER AVAILABILITY, AND TERMS OF A TECHNICAL APPENDIX.

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4. WESTINGHOUSE WAS NOT ABLE TO AGREE TO A FIFTH IMPORTANT

REQUEST, FOR ADDITIONAL LOCAL COST FINANCING AND FOR LOWERING OF INTEREST RATE ON FIRST NATIONAL BANK OF CHICAGO LOAN GUARANTEED BY EXIM BANK. INTEREST RATE QUESTION, HOWEVER, WILL BE TAKEN UP AGAIN THIS WEEK BY VISITING FIRST NATIONAL BANK REPRESENTATIVE.

5. ACCORDING TO ABOVE SOURCES, SUBSTANTIALLY CONFIRMED BY LATEST INFORMATION AVAILABLE AT CONGEN ZAGREB, FOLLOWING TIMETABLE NOW ENVISAGED: (A) INVESTORS WILL SUBMIT QUOTE FINAL UNQUOTE REPORT INCLUDING RECOMMENDATION OF ONE BIDDER TO "FIVE AND FIVE" COMMISSION EARLY IN SEPTEMBER. (B) COMMISSION'S REPORT TO GOVERNMENTS OF SLOVENIA AND CROATIA, AND THEIR CONSULTATIONS WITH FEDERAL GOVERNMENT SLATED FOR LATER IN SEPTEMBER, (C) FINAL NEGOTIATIONS WITH SELECTED BIDDER AT BEGINNING OF NOVEMBER, AND (D) LETTER OF INTENT BY END OF NOVEMBER.

6. PAVINICH AND KOSTIC CLAIM TO KNOW THAT GE/ANSALDO PRICE IS CONSIDERABLY BELOW WESTINGHOUSE PRICE, AND THAT ITALIAN BANK-BACKED GE/ANSALDO LOCAL COST FINANCING PACKAGE AS WELL AS KRAFT-WERKE LOCAL COST PACKAGE ARE CONSIDERABLY MORE COMPREHENSIVE THAN WESTINGHOUSE'S. (GENERAL ELECTRIC HAS NOT BEEN IN TOUCH WITH EMBASSY ON THIS PROJECT FOR OVER ONE MONTH).

7. WESTINGHOUSE REPRESENTATIVE POINTED TO COMPLETE U.S. CONTENT OF WESTINGHOUSE PACKAGE, AND REITERATED PREVIOUS REQUESTS FOR EXIM BANK RECONSIDERATION OF LOCAL COST FINANCING ISSUE. WE RESPONDED ALONG LINES STATE 141217 AND 136655, AND EMPHASIZED IMPORTANT EXTRA STEPS EXIM BANK HAS ALREADY TAKEN (FINANCING OF INTEREST COSTS DURING CONSTRUCTION, AND POSSIBLE FINANCING OF TWO GAS TURBINE PLANTS NEEDED FOR EARLY POWER REQUIREMENTS).

8. KOSTIC CLAIMED THAT YUGOSLAV INVESTORS AND GOY NOW CONSULTING ON POSSIBLE LETTER INDICATING QUITE CLEARLY THAT WESTINGHOUSE WILL GET KRSKO CONTRACT IF EXIM BANK LOCAL COST GUARANTEE CAN BE INCREASED SUBSTANTIALLY. WE REFRAINED FROM COMMENT EXCEPT TO SAY THAT SUCH A LETTER WOULD BE A NEW DEVELOPMENT WHICH WOULD OF COURSE RECEIVE DUE CONSIDERATION. JOHNSON

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